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FM AMEMBASSY RIGA
TO RUEHC/SECSTATE WASHDC PRIORITY 4792
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 RIGA 000138

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E.O. 12958: DECL: 03/24/2018
TAGS: [PGOV](#) [LG](#)
SUBJECT: LATVIA,S DYSPEPTIC DOMESTIC POLITICS

Classified By: Ambassador Charles W. Larson, Jr. Reason: 1.4 (d)

¶1. (C/NF) Summary: Since the relatively dramatic events of last fall that brought down the Kalvitis government, the Latvian domestic political scene has been full of sound and fury but signifying little in terms of action. There is a lot happening and much noise, but it is hard to see that any of it is making a difference beyond the small circle of political elite. The Godmanis government, despite having an ambitious plan on paper, is likely to remain a low energy, low results administration for the foreseeable future. Despite the surrounding noise, this government could likely stay in office into 2009 barring a major scandal or a significant economic downturn. End summary.

¶2. (U) Last fall, Latvian domestic politics were alive and vibrant. From the September/October attempts to remove anti-corruption chief Loskutovs, through the two largest rallies since the restoration of independence, to the resignation of PM Kalvitis, every day seemed to bring news, and politics was the main topic of discussion anywhere you went. There was a sense that a change was coming to Latvian politics -- that people were deciding that they were tired of only being heard from at elections and that they expected a government that did a better job of actually representing the people.

¶3. (C) But this enthusiasm was short lived. Even by the time the next government was being formed, people seemed to tune out. President Zatlers attempted to create a process for debate and discussion to inform his selection of the next Prime Minister, but he made two mistakes borne of his political inexperience that made the public feel that there would be no real change in Latvian politics. First, he left it to the parties to define the candidates for Prime Minister, instead of retaining that key prerogative for himself. Second, he very clearly telegraphed that he was unwilling to recommend dismissal of the Saeima (which would have required approval in a referendum) if a government to his liking was not formed. In both of these steps he put the powers in the hands of the political parties, especially the four who made up the previous coalition. Zatlers tried to force them to take in opposition New Era, but that would have been an unwieldy coalition and by taking dismissal of the Saeima off the table, Zatlers ceded his leverage to force their inclusion in the coalition. The result was a new government that looked shockingly like the old one and public who was focused more on Christmas holidays than on politics.

¶4. (C) Since then, we have seen and heard a lot of noise from the political space, but very little of it has had any real traction with the public. The most dramatic event was the fracturing of New Era, with four MPs, led by former FM Sandra Kalniete, leaving the party. They were joined by former Defense Minister and current MEP Girts Valdis Kristovskis, who left nationalist party (and coalition member) "For Fatherland and Freedom (TB/LNNK). Kristovskis and Kalniete

have announced plans to form a "national conservative" party with a particular focus on "the regions" and "the next generation." The reaction has been underwhelming with most observers asking how the policies of the new party will differ from the ones its founders left. Its task will be further complicated because two of the members of Saeima who left TB/LNNK to join this group have announced that they will continue to support the Godmanis government. Asked how she would square this circle, Kalniete explained to pol/econ chief that "we are not an opposition party, but neither do we plan to join the government at this time. We will, however, cooperate with them when we agree with their policies."

15. (C) We have also seen movement by former FM Artis Pabriks and former local government minister Aigars Stokenbergs, who left the People's Party last fall, to establish their new party. After forming an NGO "For a Different Kind of Politics," they have announced that they hope to establish the party in May and that it will be "social democratic, on the Swedish economic model" as Stokenbergs told us. He and Pabriks have stressed support for entrepreneurs, but offered few details. They have made news with two moves though. First, they have stated that the party will be "of the left," which heretofore in Latvian politics has been code for catering to the ethnic Russian community, and they will face knee jerk opposition from those who hear "left" and think "Russian." Second, they succeeded in gathering enough signatures to start the process for a possible referendum on ensuring that pension payments keep recipients above the poverty level.

16. (C/NF) For all this activity in the political arena, little has transferred to the legislative process -- an indication that the government feels secure and the opposition remains weak and disorganized. The weekly Saeima

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sessions since the beginning of the year have tended to be finished in an hour or less and most legislation is adopted without debate. The only lengthy session contained debates on voting rights for non-citizens in local elections and ratification on two small bilateral agreements with Russia, proving that Russia and Russians remain the political issues in Latvia with the greatest traction. The one piece of legislation of any real significance passed during the winter session of Saeima dealt with pension indexing and was a direct result of the Stokenbergs/Pabriks initiative to hold a referendum on the issue. But even that generated little discussion.

17. (C/NF) So, for all the seeming activity on the political front, why is the level of actual results so low and the level of voter apathy and indifference so high? It seems to us that after the burst of activity last fall, Latvians have returned to their default position on politics -- it doesn't affect me and there is little I can do to change it anyway. Politics here remains relatively immature and the continued drops in interest and involvement are especially unhealthy in a developing democracy. Both Kalniete and Stokenbergs have told us they believe they can draw a significant amount of support from the nearly forty percent of voters who sat out the 2006 elections, but political observers here and our own instincts tell us this is unlikely. It's very difficult to bring politically inactive people back into the process, even more so when what seems to be on offer are the same people who were on the ballot in 2006 when these voters stayed home, except now they are arranged in different groupings. The one established name with the ability to come in and truly shake things up would be former President Vike-Freiberga, but she continues to disavow any plans to join politics (although it is known that her husband has expressed some personal support for Stokenbergs). Another reason that political interest seems so low is that there is no election on the horizon. Local elections and elections for the European parliament are in June 2009. And even if the constitution is amended to allow for the public to call for a referendum on dismissing

Saeima (currently only the President can do so), the timelines are such that no new Saeima election could be held before the end of 2008 or early in 2009.

18. (C/NF) All of this, plus the fact that the four parties in the current coalition are best served for now by sticking together, means that the Godmanis government can be expected to hang in through at least the end of the year, even if it produces little in terms of results. We can see three scenarios that could change that. First, a brazen move appearing to serve the oligarch over the common interest that mobilized the public the way they attempted dismissal of Loskutovs did last fall -- and the upcoming decision whether to retain intelligence chief Kazocins for another 5 year term has the potential to generate a public outcry if the government tries to dump him. Second, a significant worsening of the economic situation that led to bankruptcies, widespread layoffs, and/or inflation that passes 20 percent would likely spur the public to demand a change. Third would be a change from within. It is widely known that the People's Party feels that it was unfairly forced to give up power last fall (and Kalvitis believes he had the premiership "taken" from him) and would like to regain the top spot and could bring down the government from within, but would likely wait until it thought the worst of the economic news was behind it.

19. (U) All in all, we expect that the next few months will see more activity and more noise in the Latvian political sphere, but little action or change.
LARSON